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中国通信服务
CHINA COMSERVICE

中國通信服務股份有限公司

CHINA COMMUNICATIONS SERVICES CORPORATION LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 552)

**ANNOUNCEMENT OF ANNUAL RESULTS FOR
THE YEAR ENDED 31 DECEMBER 2010**

HIGHLIGHTS

- Revenues were RMB45,417 million, up by 15.0%.
- Gross profit was RMB7,399 million, up by 16.1%; gross profit margin enhanced as compared with last year and reached 16.3%.
- Profit attributable to equity shareholders of the Company was RMB1,818 million, up by 13.7%.
- Basic earnings per share was RMB0.315, up by 13.7%.
- The board of directors of the Company (“the Board”) recommended a final dividend of RMB0.1260 per share for 2010, up by 13.7%.
- Businesses from domestic operator market grew steadily, and our revenues from three telecommunications operators customers increased by 7.2%.
- The business expansions of the domestic non-operator market and overseas market achieved remarkable results, leading to significant increases in revenues by 27.8% and 73.0%, respectively, and a further optimized customer structure.

CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2010, the Group recorded remarkable operating results. Total revenues of the Group reached RMB45,417 million, representing a year-on-year growth of 15.0%. Profit attributable to equity shareholders was RMB1,818 million, representing a year-on-year growth of 13.7%. Return on equity further increased and reached 12.8%. Having considered the interests of and returns to our shareholders, the Board has proposed to pay a final dividend of RMB0.1260 per share for the financial year ended 31 December 2010, representing a year-on-year growth of 13.7%.

Steady growth in domestic operator market

In 2010, capital expenditures of domestic telecommunications operators decreased significantly. With focus on the operators' full-service operations by providing integrated services covering their value chain, the Group's revenues from domestic operators sustained continuous growth and reached RMB29,464 million, representing a year-on-year growth of 7.2% and accounting for 64.9% of its revenues.

Rapid growth in domestic non-operator market and overseas market

In 2010, the Group benefited from the accelerated development in the domestic informatization and the strong demands from overseas telecommunications markets. The combined revenues from the domestic non-operator market and the overseas market increased by 32.6% compared to the same period last year and reached RMB15,953 million in 2010, and its proportion of revenues of the Group increased notably to 35.1% from 30.4% last year.

Continuously generating favorable returns for shareholders

Since the listing on 8 December 2006, the Group has been adhering to its corporate philosophy of "running a promising and meaningful business". During these years, the Group managed its business in an organized and efficient way and achieved a healthy and rapid development. The compound annual growth rates of our revenues and net profit both exceeded 20%, realizing a sustainable growth of our shareholders value. In the period between 2007 and 2010, the Group has been increasing its dividend per share and the compound annual growth rate exceeded 20%, thereby generating stable returns for shareholders over the past 4 years.

Setting enlightened goals, grasping strategic opportunities

Looking ahead to the "12th Five-Year Plan" period, the Group has promptly set its strategic goal of developing itself as a "hundred-billion enterprise" with excellent performance, and this means that, by the end of the "12th Five-Year Plan" period or longer, the Group will develop strong capabilities to grasp market opportunities, build outstanding core competences, enhance intensive high-efficiency operations and realize stable growth in enterprise value, with a goal of becoming a "world-class information network builder". Meanwhile, responding to the new circumstances and new opportunities, the Group has extended its positioning from a "service provider for telecommunications, media and technology companies" to a "leading provider of producer services in the informatization sector".

In the “12th Five-Year Plan” period, the Group will firmly grasp the following six major development opportunities: (1) various demands resulting from the full-service operation adopted by the telecommunications operators and continuously growing demands of recurring businesses including network optimization and maintenance; (2) large scale investments in the two-way upgrading of broadcast and television networks in the future; (3) significant annual informatization investments from several industries driven by policies, technologies and social development; (4) the continuous and vigorous demand of the telecommunications network construction in overseas emerging markets such as Africa, the Middle East, Latin America and the Asian Pacific region; (5) new opportunities stimulated by new markets and new businesses as a result of the change in industrial landscape and models, including the Three Networks Convergence, the joint construction and sharing of telecommunications infrastructure, energy saving and emission reduction; and (6) greater potentials in respect of the Group’s external growth assisted by the recovery of the capital market among the TMT¹ sector in the “post-crisis era”, to achieve the significant development of the Group.

Aggressive expansions of domestic non-operator market and overseas market

The expansions in the domestic non-operator market and the overseas market are the necessary choice for the Group to diversify its sources of revenues from its customers and achieve its sustainable development. The Group has served domestic telecommunications operators for many years, and thus is equipped with important expertise, resources and experience. These successful factors can also be applied easily to the non-operator customers for their integrated telecommunications support services. By utilizing our expertise and experience to broader markets, the Group is able to maintain a long-term growth momentum.

The Group continued to optimize its overseas expansion plans based on its extensive experience in overseas expansion over the past years. The Group strengthened its cooperation with telecommunications equipment manufacturers, financial institutions and state-owned enterprises, and established strategic partnerships with them to jointly explore overseas markets. As a result, the Group not only achieved a stable and rapid growth for overseas subcontracted engineering businesses, but also made breakthroughs in winning more EPC (engineering, procurement and construction) businesses. With further business penetration into more countries and regions, the business from overseas market will become a strong driver for our future growth.

Endeavoring to innovate development models, enhancing functional management

To seize development opportunities, the Group focused on innovation in five areas to drive business growth, including marketing and services, businesses and products, corporatization of operation and management, human resources management and incentive mechanism, as well as external growth. In addition, the Group also focused on strengthening management along six functions, including corporate affairs, finance, human resources, risk management, strategic marketing and overseas market. Therefore, the Group was able to build an effective, flexible and synergistic organization structure and obtain a pool of high-calibre management and professionals, thus resulting in a highly efficient enterprise with outstanding performance.

¹ TMT means telecommunications, media and technology.

Strengthening corporate governance

Amid its rapid business growth, the Group continued to strengthen its internal control and risk management, so as to fully enhance its corporate governance. During the year, following the appointment of Mr. Zheng Qibao with extensive experience in the telecommunications industry, as the president of the Company, Ms. Hou Rui joined the Company as its chief financial officer. Mr. Yuan Jianxing, the former chief financial officer, continues to serve as an executive director and an executive vice president of the Company and is responsible for other important issues of the Group, including business development. In addition, upon the approval of Ms. Hou as an executive director of the Company at the extraordinary general meeting held on 23 February 2011, the number of directors of the Board increased from 10 to 11, thus having further enhanced the competence of the Board and the management structure of the Group. Our effort in fostering sound corporate governance was recognized by the capital market, as evidenced by the gold award granted to the Company in “The Asset Corporate Awards 2010” election organized by “The Asset”, an authoritative international financial magazine.

Promoting the customer-oriented corporate culture embodying the philosophy of “the highest excellence is like that of water”, implementing corporate social responsibilities

The Group made great efforts in promoting the customer-oriented culture embodying the philosophy of “the highest excellence is like that of water” and advocating the core value of “benefit all”. Through these efforts, the Group helped its staff to thoroughly understand the culture’s essence of “innovation, compatibility, perseverance, reliability and partnership”, raised the Group’s cohesion and strength, and thus provided a strong cultural support to achieve its strategic goals.

In 2010, the Group proactively participated in several rescue and relief work and provided strong support to the operators to resume the normal operation of their telecommunications services, including the earthquake relief efforts in Yushu of Qinghai province, the flood relief efforts in Jiangxi province and the rescuing efforts during the destructive mudslide in Zhouqu of Gansu province. All these disaster relief work demonstrated our strong sense of social responsibilities. In addition, the Group successfully supported the operators with its quality communications services for high-profile events, including the Shanghai World Expo and the Guangzhou Asian Games. Our efforts were highly recognized by relevant government departments and the public media.

Finally, on behalf of the Board, I would like to take this opportunity to welcome Mr. Zheng Qibao and Ms. Hou Rui to join the Board, and express my sincere gratitude to all our shareholders, customers and friends for their long-term care and support to the Group!

Li Ping

Chairman

Beijing, PRC

30 March 2011

PRESIDENT'S STATEMENT

Dear Shareholders,

I am very pleased to present the operating results of the Group in 2010.

In 2010, the Group recorded total revenues of RMB45,417 million, representing a year-on-year growth of 15.0%. Profit attributable to equity shareholders amounted to RMB1,818 million, representing a year-on-year growth of 13.7%. The sustained and healthy growth of our operating results was mainly attributable to the successful expansions by the Group in the domestic non-operator market and overseas market, as well as the prompt response to the demands for support services from domestic telecommunications operators.

In 2010, costs of revenues of the Group amounted to RMB38,018 million, representing a year-on-year growth of 14.8%, which was slightly lower than its revenue growth. The Group was committed to developing businesses with relatively higher profit margin and strengthening cost control, and its gross profit margin and net profit margin were 16.3% and 4.0%, respectively, remaining stable over the past three years. As a result of increasing requirement for working capital driven by the rapid growth of businesses, its free cash flow for the year declined on a year-on-year basis, but remained at a healthy level of RMB628 million.

In 2010, the Group achieved a continuous and stable growth in all of its three main businesses. The Group's revenues from telecommunications infrastructure ("TIS") services saw a year-on-year increase of 12.2%, accounting for 47.6% of revenues. Among which, TIS revenues from domestic operators grew by 3.7%, as the Group continued to provide domestic operators with capacity expansion services for mobile, wireline and data networks and seized the business opportunities triggered by broadband network upgrading. In addition, TIS revenues from domestic non-operator and overseas customers increased significantly by 50.9%, accounting for 24.2% of total TIS revenue, as the Group vigorously expanded such markets, fully demonstrated its integrated service capability in the informatization sector and focused on leading companies of the industry and key projects.

In 2010, revenues from business process outsourcing services achieved a year-on-year increase of 16.1%, accounting for 40.8% of revenues. In particular, maintenance service, being one of the key development focuses, sustained rapid growth and recorded a growth rate of 22.6% over the previous year. The rapid growth in revenue was mainly due to the Group's prompt response to the increasing demand from domestic operators for network optimization and maintenance. Moreover, distribution of telecommunications services and products business grew steadily under the Group's effective control and management.

In 2010, applications, content and other (“ACO”) services grew rapidly and increased by 23.6% over the same period last year, and its proportion of revenues further increased to 11.6%. Driven by the industrial opportunities emerging from the informatization of society and the development of mobile Internet business, the revenues from IT applications and Internet services achieved rapid growth of 26.5% and 68.8%, respectively. After a period of incubation, the revenue growth from ACO business started to accelerate, and this would be beneficial to the enhancement of the overall profitability of the Group.

While providing in-depth services to the domestic telecommunications operators in all aspects, the Group made great efforts to expand the domestic non-operator market and the overseas market and achieved remarkable results with the further optimized customer structure. In 2010, the revenues from domestic telecommunications operators amounted to RMB29,464 million, representing a year-on-year growth of 7.2% and accounting for 64.9% of revenues. The revenues from domestic non-operator customers amounted to RMB13,728 million, representing a year-on-year growth of 27.8% and accounting for 30.2% of revenues, which has become an important driving force of the Group’s revenues. The overseas business maintained a high-speed growth, and the revenues from overseas market amounted to RMB2,225 million, representing a year-on-year growth of 73.0%, and its proportion of revenues increased to 4.9%. The Group’s further expansions of domestic non-operator customers and overseas customers not only helped optimize the customers revenue structure, but also provided a strong guarantee for the rapid development of the Group.

To achieve successful market expansion, the Group continued to optimize its business management model and internal resource allocation. On the one hand, the Group coordinated its resources to enhance operational efficiency, achieved synergistic development of businesses and enhanced execution capability on cross-functional services, so as to satisfy the development requirements of domestic non-operator customers and overseas customers. On the other hand, the Group integrated specialized resources and progressively pushed forward the internal legal entities integration to optimize resources allocation and achieve effective operation. Meanwhile, the Group attached importance to the functional management and organizational innovation, continued to improve its refined management ability, construct an efficient management model and enhance corporate management and control ability, with a view to reducing cost, increasing efficiency and effectively avoiding systematic risks.

Human resource management is an important means for the Group to strengthen its core competence. Therefore, it proactively explored innovative incentive mechanism and has constructed a market-oriented remuneration policy. By focusing on the high-value added segments along the industry chain, the Group has been tilting human resources towards high-end and strategic businesses, and endeavored to transform itself into a “technology and management focused” business model.

Looking forward, the Group will set the objective as a “hundred billion” leader of the producer services in the informatization sector. It will focus on key areas and expand proactively, strengthen R&D and enhance cooperation and innovation. The Group will endeavor to perform the following main tasks in 2011 and thus maintain its leading position in the industry:

- Fully support the full-service operations of the domestic telecommunications operators, and capture industry opportunities such as optical-fiber network and mobile Internet, and thus maintaining its leading position in domestic operator market.
- Exploit the huge market potential triggered by China’s urbanization, informatization and the Three Networks Convergence, focus on the demand for informatization for government agencies and sectors such as transportation facilities, energy and construction, and vigorously explore domestic non-operator market.
- Strengthen its overseas market expansion by focusing on regions such as Africa, the Middle East, Latin America and the Asian Pacific, and continue to reinforce its strategic cooperation with telecommunications equipment manufacturers in order to achieve the win-win situation.
- Exert great efforts in incubating the ACO business by introducing strategic cooperation partners, focusing on the niche-market of mobile Internet, and accelerating the innovation of new products, services and incentive mechanism.
- Reinforce our effective operation by further leveraging on the advantage of its complementary resources, and innovating its management structure and system, with a view to enhancing its core competence and resource utilization efficiency.

Zheng Qibao
President

Beijing, PRC
30 March 2011

GROUP RESULTS

China Communications Services Corporation Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2010, extracted from the audited financial statements of the Group as set out in its 2010 annual report.

Consolidated statement of comprehensive income

for the year ended 31 December 2010

(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Revenues	5	45,417,232	39,499,450
Cost of revenues	6	(38,018,246)	(33,127,513)
Gross profit		7,398,986	6,371,937
Other operating income	7	629,685	520,810
Selling, general and administrative expenses		(5,627,043)	(4,691,507)
Other operating expenses		(70,920)	(76,782)
Finance costs	8	(57,732)	(88,435)
Share of profits of associates		3,126	1,571
Profit before tax	9	2,276,102	2,037,594
Income tax	10(a)	(459,711)	(427,356)
Profit for the year		1,816,391	1,610,238
Attributable to:			
Equity shareholders of the Company		1,817,805	1,598,589
Non-controlling interests		(1,414)	11,649
Profit for the year		1,816,391	1,610,238
Basic and diluted earnings per share (RMB)	13	0.315	0.277

Consolidated statement of comprehensive income
for the year ended 31 December 2010
(Expressed in Renminbi)

	<i>Note</i>	2010 RMB'000	2009 <i>RMB'000</i>
Profit for the year		1,816,391	1,610,238
Other comprehensive income for the year (after tax)			
Exchange differences on translation of financial statements of subsidiaries outside Mainland China		608	(1,324)
Effect on opening deferred tax balances resulting from a change in tax rate		148	(1,145)
Available-for-sale securities: net movement in the fair value reserve	<i>11</i>	(17,034)	35,612
		(16,278)	33,143
Total comprehensive income for the year		1,800,113	1,643,381
Attributable to:			
Equity shareholders of the Company		1,801,527	1,631,732
Non-controlling interests		(1,414)	11,649
Total comprehensive income for the year		1,800,113	1,643,381

Consolidated balance sheet
at 31 December 2010
(Expressed in Renminbi)

	<i>Note</i>	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment, net		4,025,579	3,912,721
Investment properties		696,016	685,959
Construction in progress		154,234	73,334
Lease prepayments		470,135	481,687
Goodwill		103,005	103,005
Other intangible assets		151,990	148,453
Interest in associate		61,433	12,960
Other investments		571,401	304,773
Deferred tax assets		205,822	140,552
Total non-current assets		6,439,615	5,863,444
Current assets			
Inventories		1,833,186	1,659,626
Accounts and bills receivable, net	14	12,887,557	10,467,689
Prepayments and other current assets		3,967,876	3,140,398
Restricted deposits		269,099	160,525
Cash and cash equivalents		8,470,249	8,870,424
Total current assets		27,427,967	24,298,662
Total assets		33,867,582	30,162,106
Current liabilities			
Interest-bearing borrowings		1,780,523	1,268,280
Accounts and bills payable	15	9,768,792	8,844,718
Receipts in advance for contract work		1,083,587	1,088,327
Accrued expenses and other payables		6,564,306	5,553,079
Income tax payable		284,941	194,701
Total current liabilities		19,482,149	16,949,105
Net current assets		7,945,818	7,349,557
Total assets less current liabilities		14,385,433	13,213,001

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Non-current liabilities		
Deferred tax liabilities	<u>31,589</u>	<u>35,769</u>
Total non-current liabilities	<u>31,589</u>	<u>35,769</u>
Total liabilities	<u>19,513,738</u>	<u>16,984,874</u>
Equity		
Share capital	<u>5,771,682</u>	<u>5,771,682</u>
Reserves	<u>8,449,360</u>	<u>7,297,004</u>
Equity attributable to equity shareholders of the Company	<u>14,221,042</u>	<u>13,068,686</u>
Non-controlling interests	<u>132,802</u>	<u>108,546</u>
Total equity	<u>14,353,844</u>	<u>13,177,232</u>
Total liabilities and equity	<u><u>33,867,582</u></u>	<u><u>30,162,106</u></u>

Notes:

1. BASIS OF PRESENTATION

Pursuant to the Equity Transfer Agreements entered into by the Company and China Telecommunications Corporation and its subsidiaries (“CTC Group”) on 26 May 2009, the Company acquired a 95.945% equity interest in Shanghai Tongmao Import & Export Co. Ltd (“Tongmao”) and a 51% equity interest in Guoxin Lucent Technologies Network Technologies Co., Ltd (“Guoxin Lucent”, now renamed as Guoxun Innovation Software Technology Co., Ltd.) (collectively the “Target Interests”) for a total purchase price of RMB98.05 million.

Since the Group and the Target Interests are under common control of CTC, the Target Interests were accounted for as a combination of entities under common control in a manner similar to pooling-of-interests in the Company’s 2009 consolidated financial statements. Accordingly, the assets and liabilities of the Target Interests were accounted for at historical costs and the consolidated financial statements of the Company prior to the acquisitions of the Target Interests were included the results of operations and assets and liabilities of the Target Interests on a combined basis. The considerations paid by the Group for the acquisitions of the Target Interests were accounted for as an equity transaction in the consolidated statement of changes in equity.

2. STATEMENT OF COMPLIANCE

These financial statements of the Company and the Group have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) promulgated by the International Accounting Standards Board (“IASB”). IFRSs include all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and related interpretations. The financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

3. CHANGES IN ACCOUNTING POLICIES

The IASB has issued two revised IFRSs, a number of amendments to IFRSs and two new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group’s financial statements:

- IFRS 3 (revised 2008), *Business combinations*
- Amendments to IAS 27, *Consolidated and separate financial statements*
- Amendments to IFRS 5, *Non-current assets held for sale and discontinued operations – plan to sell the controlling interest in a subsidiary*
- Amendment to IAS 39, *Financial instruments: Recognition and measurement – eligible hedged items*
- Improvements to IFRSs (2009)
- IFRIC 17, *Distributions of non-cash assets to owners*
- Amendments to IAS 17, *Leases*

The amendment to IAS 39 has had no material impact on the Group's financial statements as the amendment and the Interpretation's conclusions were consistent with policies already adopted by the Group. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons.

- The impact of the majority of the revisions to IFRS 3, IAS 27, IFRS 5 and IFRIC 17 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.
- The impact of the amendments to IFRS 3 (in respect of recognition of acquirer's deferred tax assets) and IAS 27 (in respect of allocation of losses to non-controlling interests (previously known as "non-controlling interests") in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current year.

Further details of these changes in accounting policy are as follows.

- As a result of the adoption of IFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in IFRS 3 (revised 2008). These include the following changes in accounting policies:
 - Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.
 - In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "non-controlling interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.
- As a result of the adoption of IAS 27 (amended 2008), it requires that if the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. The Group adopted such accounting treatment in previous year and no change in policies in this regard.
- IFRIC 17 requires distributions of non-cash assets to owners to be measured at the fair value of the assets distributed. This will result in a gain or loss being recognised in profit or loss to the extent that the fair value of the assets is different from their carrying value. In accordance with the transitional provisions in IFRIC 17, this new accounting policy will be applied prospectively to distributions in current or future periods and therefore previous periods have not been restated.
- As a result of the amendment to IAS 17, Leases, arising from the "Improvements to IFRSs (2009)" omnibus standard, the group has re-evaluated the classification of its interests in leasehold land as to whether, in the group's judgement, the lease transfers substantially all the risks and rewards of ownership of the land such that the group is in a position economically similar to that of a purchaser. The group has concluded that the classification of such leases as operating leases continues to be appropriate.

4 SEGMENT REPORTING

The Group principally has one reportable segment, which is the provision of integrated telecommunications support services in the PRC. Therefore, no additional reportable segment has been presented. Additional information about major customers and geographical areas of the Group has been disclosed in note 5.

5 REVENUES

Revenues are derived from the provision of integrated telecommunications support services, net of sales taxes, and after allowance for trade discounts. The Group's revenues by business nature can be summarised as follows:

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Revenues from telecommunications infrastructure services	21,636,545	19,289,579
Revenues from business process outsourcing services	18,508,424	15,943,326
Revenues from applications, content and other services	5,272,263	4,266,545
	<u>45,417,232</u>	<u>39,499,450</u>

The Group's major customers are telecommunications operators which include CTC and its subsidiaries ("CTC Group") and China Mobile Communications Corporation and its subsidiaries ("CM Group") each contributing a revenue exceeding 10% of the Group's total revenues. Revenues from the provision of integrated telecommunications support services to CTC Group and CM Group for the year ended 31 December 2010 amount to RMB19,925 million and RMB7,495 million respectively (2009: RMB20,243 million and RMB5,642 million respectively), being 43.9% and 16.5% of the Group's total revenues respectively (2009: 51.2% and 14.3% respectively). In addition, the revenues derived from areas outside Mainland China for the year ended 31 December 2010 amounts to RMB2,225 million (2009: RMB1,287 million).

6 COST OF REVENUES

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Depreciation and amortisation	359,100	351,402
Direct personnel costs	7,459,665	7,073,351
Operating lease charges	728,764	608,086
Purchase of materials and telecommunications products	13,506,740	12,364,499
Subcontracting charges	11,883,574	9,064,577
Others	4,080,403	3,665,598
	<u>38,018,246</u>	<u>33,127,513</u>

7 OTHER OPERATING INCOME

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Interest income	77,734	72,726
Dividend income from unlisted securities	28,816	31,594
Government grants	121,008	97,461
Gain on disposal of investments	54,841	6,845
Gain on disposal of property, plant and equipment	8,315	9,629
Penalty income	6,547	6,888
Management fee income	285,915	259,849
Write-back of non-payable liabilities	11,799	25,135
Others	34,710	10,683
	<u>629,685</u>	<u>520,810</u>

8 FINANCE COSTS

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Interest on bank advances and other borrowings wholly repayable within five years	<u>57,732</u>	<u>88,435</u>

For the years ended 31 December 2010 and 2009, no borrowing costs were capitalised in relation to construction in progress.

9 PROFIT BEFORE TAX

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
(a) Staff costs:		
Salaries, wages and other benefits	10,003,237	8,853,012
Contributions to defined contribution retirement schemes	807,293	883,961
	<u>10,810,530</u>	<u>9,736,973</u>
(b) Other items:		
Depreciation		
– Property, plant and equipment	537,613	530,513
– Investment properties	31,304	31,995
Amortisation		
– Lease prepayments	11,276	9,590
– Other intangible assets	42,321	37,509
Auditors' remuneration	38,000	38,000
Cost of inventories	13,496,980	12,364,499
Impairment losses on accounts and other receivable	141,686	74,521
Reversal of impairment losses on accounts and other receivable	(25,879)	(12,602)
Operating lease charges	891,699	748,195
Research and development costs ^{Note 1}	514,413	257,073
Share of associates' taxation	552	277
	<u>552</u>	<u>277</u>

Note 1 Research and development costs include RMB418,424 thousand (2009: RMB209,154 thousand) relating to staff costs, which amount is also included in the staff cost disclosed in note 9(a).

10 INCOME TAX

(a) Income tax in the consolidated income statement represents:

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Current tax		
PRC enterprise income tax	523,563	454,675
Overseas enterprise income tax	4,058	–
Deferred tax		
Origination and reversal of temporary differences	(67,910)	(27,319)
Total income tax	<u>459,711</u>	<u>427,356</u>

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Profit before tax	<u>2,276,102</u>	<u>2,037,594</u>
Expected income tax expense		
at a statutory tax rate of 25% (2009: 25%) (note (i))	569,025	509,398
Differential tax rates on subsidiaries' income (note (i))	(165,345)	(146,787)
Non-deductible expenses (note (ii))	49,399	39,259
Non-taxable income	(13,154)	(10,374)
Tax losses not recognised	28,292	31,118
Utilisation of previously unrecognised tax losses	(9,705)	(3,626)
Effect on opening deferred tax resulting from a reduction in PRC statutory tax rate (note (iii))	1,199	8,368
Income tax	<u>459,711</u>	<u>427,356</u>

Notes:

- (i) The provision of income tax of the Group is calculated based on a statutory rate of 25% of the assessable profit of the Group as determined in accordance with the relevant PRC income tax rules and regulations for the year ended 31 December 2010 and for the year ended 31 December 2009, except for certain subsidiaries of the Group, which are taxed at preferential rates of 15% or 22%.
- (ii) The amount includes personnel and other miscellaneous expenses in excess of statutory deductible limits for tax purposes.
- (iii) The amounts in the years ended 31 December 2010 and 2009 represent the tax effect on opening balances of deferred tax assets arising from the change in the enterprise income tax rate applicable to certain subsidiaries due to changes in preferential tax qualification during the years concerned. The deferred tax assets were remeasured for the change in applicable tax rates.

11 OTHER COMPREHENSIVE (LOSS)/INCOME

Available-for-sale securities

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Changes in fair value recognised during the period	(18,426)	43,197
Net deferred tax credited/(charged) to other comprehensive income	<u>1,392</u>	<u>(7,585)</u>
Net movement in the fair value reserve during the period recognised in other comprehensive (loss)/income	<u><u>(17,034)</u></u>	<u><u>35,612</u></u>

12 DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year:

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Final dividend proposed after the balance sheet date RMB0.1260 per share (2009: RMB0.1108 per share)	<u><u>727,232</u></u>	<u><u>639,502</u></u>

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the year:

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Final dividend in respect of the financial year ended 31 December 2009, approved during the year, of RMB0.1108 per share (2008: RMB0.0913 per share)	<u><u>639,502</u></u>	<u><u>526,955</u></u>

13 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the year ended 31 December 2010 of RMB1,817,805 thousand (2009: RMB1,598,589 thousand) and the number of shares in issue during the year ended 31 December 2010 of 5,771,682 thousand shares (2009: 5,771,682 thousand shares).

There was no difference between basic and diluted earnings per share as there were no dilutive potential shares outstanding for the years presented.

14 ACCOUNTS AND BILLS RECEIVABLE, NET

	The Group	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Bills receivable	95,208	101,718
Unbilled revenues for contract work	2,956,264	2,970,511
Trade receivables	10,231,195	7,727,589
	13,282,667	10,799,818
Less: impairment losses	(395,110)	(332,129)
	12,887,557	10,467,689

- (a) Included in accounts and bills receivable are amounts due from fellow subsidiaries of RMB6,950 million (2009: RMB6,772 million) as at 31 December 2010. The amounts due from fellow subsidiaries are unsecured, interest-free and are expected to be recovered within one year.
- (b) In general, debts are due for payment upon billing. Subject to negotiation, credit terms within a range of one to three months are available for certain customers with well-established trading and payment records.
- (c) The ageing analysis of accounts and bills receivable (net of impairment losses) is as follows:

	The Group	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Current	4,890,354	5,313,774
Within 1 year	6,566,525	4,320,911
After 1 year but less than 2 years	1,108,228	618,309
After 2 years but less than 3 years	245,878	130,957
After 3 years	76,572	83,738
Amount past due	7,997,203	5,153,915
	12,887,557	10,467,689

(d) Impairment of accounts and bills receivable

Impairment losses in respect of accounts and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against accounts and bills receivable directly.

The movement in allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
At 1 January	332,129	301,104
Impairment loss recognised	96,354	46,077
Reversal of impairment loss previously recognised	(23,467)	(9,260)
Uncollectible amounts written off	(9,906)	(5,792)
	<hr/>	<hr/>
At 31 December	395,110	332,129
	<hr/> <hr/>	<hr/> <hr/>

At 31 December 2010, the Group's accounts and bills receivable of RMB355.7 million (2009: RMB290.3 million) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific impairment losses of RMB282 million (2009: RMB234.4 million) were recognised. The Group does not hold any collateral over these balances.

(e) Accounts and bills receivable that is not impaired

The ageing analysis of accounts and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
Neither past due nor impaired	4,890,354	5,313,774
Within 1 year	6,566,525	4,320,911
After 1 year but less than 2 years	991,590	335,743
After 2 years but less than 3 years	78,040	64,262
After 3 years	36,198	22,005
	<hr/>	<hr/>
At 31 December	12,562,707	10,056,695
	<hr/> <hr/>	<hr/> <hr/>

Receivables that were neither past due nor impaired relate to major telecommunication service providers for whom there was no history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowances is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

15 ACCOUNTS AND BILLS PAYABLE

Accounts and bills payable comprise:

	The Group	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts payable	7,973,422	7,054,217
Bills payable	<u>1,795,370</u>	<u>1,790,501</u>
	<u>9,768,792</u>	<u>8,844,718</u>

The ageing analysis of accounts and bills payable is as follows:

	The Group	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	9,093,470	8,302,532
After 1 year but less than 2 years	494,547	407,273
After 2 years but less than 3 years	112,808	79,705
After 3 years	<u>67,967</u>	<u>55,208</u>
	<u>9,768,792</u>	<u>8,844,718</u>

Included in accounts and bills payable are amounts due to fellow subsidiaries of RMB231 million (2009: RMB283 million) as at 31 December 2010. The amounts due to fellow subsidiaries are unsecured, interest-free and are expected to be settled within one year.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Overview

In 2010, under the circumstance of decreased capital expenditure by domestic telecommunications operators and a more competitive market, the Group put more efforts in executing its customer-oriented service innovation strategy and vigorously expanded businesses in the domestic non-operator market and overseas market, and thus maintained rapid growth momentum in all businesses. Our revenues amounted to RMB45,417.23 million, representing an increase of 15.0% from 2009. Profit attributable to equity shareholders of the Company amounted to RMB1,817.81 million, representing an increase of 13.7% from 2009. Basic earnings per share was RMB0.315, representing an increase of 13.7% from 2009. Free cash flow amounted to RMB628.37 million.

Revenues

Our revenues in 2010 were RMB45,417.23 million, representing an increase of 15.0% from 2009. Among our businesses, revenues from telecommunications infrastructure ("TIS") services were RMB21,636.55 million, representing an increase of 12.2% from 2009; revenues from business process outsourcing ("BPO") services were RMB18,508.42 million, representing an increase of 16.1% from 2009; revenues from applications, content and other ("ACO") services were RMB5,272.26 million, representing an increase of 23.6% from 2009. TIS services was the major source of our revenues in 2010, while IT applications in ACO services and network maintenance services in BPO services were the two major businesses which experienced a relatively faster growth in revenue. In terms of customer structure, the Group's revenues from the three telecommunications operators amounted to RMB29,464.37 million, representing 64.9% of the revenues, an increase of 7.2% from 2009; revenues from the domestic non-operator customers and overseas customers amounted to RMB15,952.86 million, representing 35.1% of the revenues, an increase of 32.6% from 2009.

The following table sets forth a breakdown of our revenues for 2009 and 2010, together with their respective rates of change:

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>	Percentage Change
Telecommunications Infrastructure Services			
Design services	4,453,627	4,021,105	10.8%
Construction services	15,796,460	14,086,311	12.1%
Project supervision and management services	1,386,458	1,182,163	17.3%
	21,636,545	19,289,579	12.2%
Business Process Outsourcing Services			
Network maintenance	4,269,869	3,484,132	22.6%
Distribution of telecommunications services and products	11,956,698	10,389,777	15.1%
Facilities management	2,281,857	2,069,417	10.3%
	18,508,424	15,943,326	16.1%
Applications, Content and Other Services			
IT applications	2,637,849	2,084,600	26.5%
Internet service	483,862	286,732	68.8%
Voice VAS	706,264	652,885	8.2%
Other	1,444,288	1,242,328	16.3%
	5,272,263	4,266,545	23.6%
Total	45,417,232	39,499,450	15.0%

Telecommunications Infrastructure Services

In 2010, revenues from TIS services of the Group were RMB21,636.55 million, representing an increase of 12.2% over RMB19,289.58 million from 2009, which was our primary source of revenues, and accounted for 47.6% of our revenues. Under the circumstance of decreased capital expenditure by domestic telecommunications operators, the Group adopted more proactive and effective measures, TIS revenues from domestic operators grew steadily and amounted to RMB16,409.25 million in 2010, representing an increase of 3.7% over RMB15,824.44 million from 2009. Meanwhile, assisted by the Group's vigorous expansion of the domestic non-operator market and overseas market, TIS revenues from such markets grew rapidly and amounted to RMB5,227.30 million, representing an increase of 50.9% over RMB3,465.14 million in 2009.

Business Process Outsourcing Services

In 2010, revenues from BPO services of the Group were RMB18,508.42 million, representing an increase of 16.1% over RMB15,943.33 million in 2009. BPO services accounted for 40.8% of our revenues, representing an increase of 0.4 percentage points from 40.4% in 2009. Among our businesses, revenues from network maintenance were RMB4,269.87 million, representing an increase of 22.6% from 2009 and kept growing strongly. Rapid revenue growth mainly benefited from the strategy of full-service operations of telecommunications operators that have increased their investments in network optimization and maintenance services. In addition, the Group continued to strengthen the management of distribution of telecommunications services and products and optimize its business structure, and the low margin businesses was reasonably controlled and operating efficiency was improved. Revenues from distribution of telecommunications services and products amounted to RMB11,956.70 million, representing an increase of 15.1% from 2009. The proportion of revenues from the distribution of telecommunications services and products to our revenues remained stable.

Applications, Content and Other Services

In 2010, revenues from ACO services of the Group were RMB5,272.26 million, representing an increase of 23.6% over RMB4,266.55 million from 2009. ACO services accounted for 11.6% of our revenues, representing an increase of 0.8 percentage points from 10.8% in 2009. During this year, the Group further expanded the market of government and enterprise informatization services and the Internet application service to telecommunications operators, which led to a rapid increase in revenues from IT applications and Internet services and became a major revenue generator for ACO services. The revenues from IT applications and Internet services were RMB2,637.85 million and RMB483.86 million, respectively, representing an increase of 26.5% and 68.8% from 2009.

Cost of Revenues

Our cost of revenues in 2010 was RMB38,018.25 million, representing an increase of 14.8% from 2009 and accounting for 83.7% of our revenues.

The following table sets out a breakdown of our cost of revenues in 2009 and 2010 and their respective rates of change:

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>	Percentage Change
Direct personnel costs	7,459,665	7,073,351	5.5%
Depreciation and amortization	359,100	351,402	2.2%
Purchase of material and telecommunications products	13,506,740	12,364,499	9.2%
Subcontracting charges	11,883,574	9,064,577	31.1%
Operating lease charges and others	4,809,167	4,273,684	12.5%
Total cost of revenues	<u>38,018,246</u>	<u>33,127,513</u>	14.8%

Direct Personnel Costs

In 2010, direct personnel costs were RMB7,459.67 million, representing 16.4% of our revenues and an increase of 5.5% over RMB7,073.35 million in 2009. With the rapid growth in business volume in 2010, the Group consistently applied reasonable control over its total headcount and subcontracted our low-end tasks, thereby minimizing the staff costs and avoiding related risks. The proportion of direct personnel costs of our revenues decreased by 1.5 percentage points compared to 2009.

Depreciation and Amortization

In 2010, depreciation and amortization amounted to RMB359.10 million, representing 0.8% of our revenues and an increase of 2.2% over RMB351.40 million in 2009. Its proportion of our revenues was maintained at the relatively similar level as in 2009.

Purchase of Materials and Telecommunications Products

In 2010, the cost of materials and telecommunications products purchase was RMB13,506.74 million, representing 29.7% of revenues and an increase of 9.2% over RMB12,364.50 million in 2009. In 2010, the Group strengthened its management in the business of distribution of telecommunications services and products and controlled the development of low-margin distribution businesses. This effectively lowered the growth of the cost of materials and telecommunications products purchase. Its proportion of our revenues decreased by 1.6 percentage points compared to 2009.

Subcontracting Charges

In 2010, subcontracting charges were RMB11,883.57 million, representing 26.2% of our revenues and an increase of 31.1% over RMB9,064.58 million in 2009. The increase in subcontracting charges was mainly derived from the business of TIS services. As the business volume increased significantly in 2010, we outsourced certain of the specialized tasks required by domestic non-operator customers and low-end tasks after taking into consideration of efficiency and benefits. Its proportion of our revenues increased by 3.3 percentage points compared to 2009.

Operating Lease Charges and Others

In 2010, operating lease charges and others were RMB4,809.17 million, representing 10.6% of our revenues and an increase of 12.5% over RMB4,273.68 million in 2009. Its proportion of our revenues was maintained at the relatively similar level as in 2009.

Gross Profit

In 2010, the Group's gross profit amounted to RMB7,398.99 million, representing an increase of 16.1% over RMB6,371.94 million in 2009. The Group's gross profit margin in 2010 was 16.3%, representing an increase of 0.2 percentage point over 16.1% in 2009. The Group was able to enhance gross profit margin in 2010 through optimizing its business and customer structures and controlling personnel costs.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses in 2010 were RMB5,627.04 million, representing an increase of 19.9% over RMB4,691.51 million in 2009, and accounted for 12.4% of our revenues, an increase of 0.5 percentage points over 2009. Due to the rapid business growth, the Group exerted more efforts in sales and marketing and increased investment in research and development.

Finance Costs

In 2010, the Group's finance costs were RMB57.73 million, representing a decrease of 34.7% over RMB88.44 million in 2009. The significant decrease was mainly due to the fact that the Group strengthened the centralized cash management and the cooperation with banks, and therefore improved our efficiency in cash utilization.

Income Tax

Certain of our subsidiaries were recognized as new and high-technology enterprises and were entitled to a preferential income tax rate of 15%. Our subsidiaries in Shenzhen, Zhuhai, Xiamen and Hainan Special Economic Zones were entitled to an income tax rate of 22%. Apart from these subsidiaries, the Company and other subsidiaries of the Group were subject to an income tax rate of 25%. The income tax of the Group in 2010 was RMB459.71 million and our effective tax rate was 20.2%, representing a decrease of 0.8 percentage points over 21.0% in 2009. This was mainly due to the preferential income tax treatment for new and high-technology enterprises and the preferential policy of double deduction for research and development expenses before income tax enjoyed by certain of our subsidiaries. The difference between our effective tax rate and the statutory tax rate was mainly due to the effect of the aforementioned preferential tax rate treatment of our subsidiaries.

Profit Attributable to Equity Shareholders of the Company

In 2010, profit attributable to equity shareholders of the Company was RMB1,817.81 million, an increase of 13.7% over RMB1,598.59 million in 2009. Profit attributable to equity shareholders of the Company accounted for 4.0% of our revenues, remaining at the similar level as in 2009.

Capital Expenditure

We implemented stringent budget management over capital expenditure, and adjusted our capital expenditure plan according to the changes of market condition. In 2010, our capital expenditure amounted to RMB832.96 million, an increase of 4.7% from RMB795.69 million in 2009. The capital expenditure in 2010 accounted for 1.8% of our revenues. Our capital expenditure included the purchases of production facilities and equipment, machinery and meters, plant and office buildings, intangible assets and other operating assets.

Cash Flow

Our net cash outflow in 2010 was RMB390.06 million whereas that in 2009 was net cash inflow RMB336.68 million. As at the end of 2010, our cash and cash equivalents amounted to RMB8,470.25 million, of which 95.73% was denominated in Renminbi.

The following table sets out our cash flow positions in 2009 and 2010, respectively:

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Net cash generated from operating activities	1,526,412	2,062,227
Net cash used in investing activities	(1,055,364)	(814,115)
Net cash used in financing activities	(861,103)	(911,437)
Net (decrease)/increase in cash and cash equivalents	<u>(390,055)</u>	<u>336,675</u>

In 2010, net cash generated from operating activities was RMB1,526.41 million, an decrease of RMB535.82 million from RMB2,062.23 million in 2009. The decrease in net cash generated from operating activities was mainly because more cash was needed to support the rapid development of the Group's domestic and overseas business.

In 2010, net cash used in investing activities was RMB1,055.36 million, an increase of RMB241.24 million from RMB814.12 million in 2009. Cash used in investing activities in 2010 mainly comprised of capital expenditure including the purchase of facilities.

In 2010, net cash used in financing activities was RMB861.10 million, a decrease of RMB50.34 million from RMB911.44 million in 2009. The decrease in net cash used in financing activities was mainly because the Group made the payment for previous dividends and increased the bank loans at the end of 2010.

Working Capital

As at the end of 2010, working capital (i.e. current assets minus current liabilities) was RMB7,945.82 million, while working capital was RMB7,349.56 million in 2009. The increase in working capital was mainly due to the rapid development of the Group's domestic and overseas businesses.

Indebtedness

As at the end of 2010, total indebtedness of the Group was RMB1,780.52 million, and most of them were fixed interest rate loans and denominated in Renminbi. Our indebtedness increased by RMB512.24 million from RMB1,268.28 million at the year end of 2009.

As at the end of 2010, our gearing ratio⁽¹⁾ was 11.1%, an increase of 2.3 percentage points from 8.8% in 2009.

Contractual Obligations

The following table sets out our contractual obligations as at 31 December 2010:

	Total	2011	2012	2013	2014	2015 and
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	after
						<i>RMB'000</i>
Short-term debt	1,780,523	1,780,523	–	–	–	–
Long-term debt	–	–	–	–	–	–
Operating lease commitments	465,914	180,699	96,437	51,233	38,038	99,507
Capital commitments	273,450	273,450	–	–	–	–
Of which:						
Authorized and contracted for	216,365	216,365	–	–	–	–
Authorized but not contracted for	<u>57,085</u>	<u>57,085</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total of contractual obligations	<u>2,519,887</u>	<u>2,234,672</u>	<u>96,437</u>	<u>51,233</u>	<u>38,038</u>	<u>99,507</u>

⁽¹⁾ Gearing ratio equals to total interest-bearing debts divided by the sum of total interest-bearing debts and equity attributable to equity shareholders of the Company at the end of each financial year.

Exchange Rate

Most of our revenues and expenses are settled in Renminbi and therefore the risks associated with foreign currency exchange rates have no significant impact on our business performance. As at the end of 2010, the balance of our cash and cash equivalents in foreign currencies accounted for 4.27% of our total cash and cash equivalents, of which 2.42% and 1.16% were denominated in US dollars and Hong Kong dollars, respectively.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the year ended 31 December 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee has reviewed with the management and the Company's international auditors, KPMG, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the annual report for the year ended 31 December 2010.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

As a company incorporated in the PRC and listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company not only has complied with the relevant provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") but also has abided by the PRC Company Law and the applicable laws, regulations and regulatory requirements of Hong Kong and the PRC as the basic guidelines for the Company's corporate governance. For the year ended 31 December 2010, the Company has complied with the Code Provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules to govern securities transactions by Directors. Having made specific enquiries in writing to the Directors, each of the Directors has confirmed his compliance with the Model Code in connection with the Company's securities in the reporting period.

CLOSURE OF SHARE REGISTER

The Company's share register will be closed from Sunday, 29 May 2011 to Tuesday, 28 June 2011 (both days inclusive), during which period all transfers of shares in the Company will be suspended. In order to be qualified for the proposed dividend or eligible to attend the 2010 annual general meeting of the Company, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's registrar, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, before 4:30 p.m. on Friday, 27 May 2011.

ANNUAL REPORT

The annual report for the year ended 31 December 2010 will be dispatched to shareholders and made available on the HKExnews website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.chinaccs.com.hk) in due course.

FORWARD-LOOKING STATEMENTS

The Company would also like to caution readers about the forward-looking nature of certain of the above statements. These forward-looking statements are subject to risks and uncertainties and assumptions, some of which are beyond our control. Potential risks and uncertainties include those concerning the continued growth of the telecommunications industry in China, the development of the regulatory environment and our ability to successfully execute our business strategies. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. We do not intend to update these forward-looking statements. Actual results may differ materially from the information contained in the forward-looking statements as a result of a number of factors.

As at the date of this announcement, our executive directors are Mr. Li Ping (Chairman), Mr. Zheng Qibao (President) and Mr. Yuan Jianxing (Executive Vice President) and Ms. Hou Rui (Executive Vice President and Chief Financial Officer), our non-executive directors are Mr. Liu Aili and Mr. Zhang Junan, and our independent non-executive directors are Mr. Wang Jun, Mr. Chan Mo Po, Paul, Mr. Zhao Chunjun, Mr. Wu Shangzhi and Mr. Hao Weimin.